

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016**

CENTRAL LYON COMMUNITY SCHOOL DISTRICT

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CENTRAL LYON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 Election)		
Steve Sieperda	President	2015
Chet DeJong	Vice President	2017
Judy Gacke	Board Member	2015
David Jans	Board Member	2015
Scott Postma	Board Member	2017
(After September 2015 Election)		
David Jans	President	2019
Scott Postma	Vice President	2017
Joel DeWit	Board Member	2019
Andy Koob	Board Member	2019
Keri Davis	Board Member	2017
School Officials		
Dave Ackerman	Superintendent	Indefinite
Jackie Wells	District Secretary/Treasurer and Business Manager	Indefinite
Randy Waagmeester	Attorney	Indefinite

GRANT AND WILLIAMS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Education of
Central Lyon Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District (District), Rock Rapids, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of

the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 15 and 44 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lyon Community School District's basic financial statements. The previous audits for June 30, 2007 – 2014 were done by another firm, but were in accordance with the standards referred to in the third paragraph of this report. The financial statements for the years ended June 30, 2007 – 2015 (none of which are presented herein) expressed unmodified or unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2017 on our consideration of Central Lyon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Lyon Community School District's internal control over financial reporting and compliance.



Grant and Williams, Inc.
Certified Public Accountants
Sioux Falls, South Dakota
January 17, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

Central Lyon Community School District provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

2016 Financial Highlights

- General Fund revenues increased from \$7,487,015 in fiscal year 2015 to \$8,334,348 in fiscal year 2016, while General Fund expenditures increased from \$7,877,630 in fiscal year 2015 to \$8,246,254 in fiscal 2016. The District’s General Fund balance increased from \$425,718 in fiscal 2015 to \$513,812 in fiscal 2016, a 20.69% increase. Spending authority has been carefully monitored and must be continued to be monitored for the future financial health of the district.
- The fiscal year 2016 General Fund revenues increase was attributable to increases in property tax and state foundation aid. The increase in expenditures was due primarily to an increase in the cost of instruction and support services. As a result, the District was able to fund all of the expenditures with revenues received in the current year.
- Enrollment declines and a large number of open enrolled out pupils continue to plague the District and create financial burdens now and in the future.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information, as follows:

- Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District’s financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Central Lyon Community School District as a whole and present an overall view of the District’s finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Lyon Community School District’s operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District’s budget for the year, as well as presenting the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program and FFA property are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, a type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information,

such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Property Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2015-2016	%
Current and other assets	\$ 7,296	\$ 8,139	\$ 160	\$ 158	\$ 7,456	\$ 8,297	(841)	(10.14%)
Capital assets	12,874	11,482	84	86	12,958	11,568	1,390	12.02%
Total assets	20,170	19,621	244	244	20,414	19,865	549	2.76%
Deferred outflows of resources	688	679	30	18	718	697	21	3.01%
Long-term liabilities	6,542	6,022	95	70	6,637	6,092	545	8.95%
Other Liabilities	984	970	18	3	1,002	973	29	2.98%
Total liabilities	7,526	6,992	113	73	7,639	7,065	574	8.12%
Deferred inflows of resources	4,632	4,708	29	34	4,661	4,742	(81)	(1.71%)
Net Position								
Net investment in capital assets	9,874	8,483	84	86	9,958	8,569	1,389	16.21%
Restricted	2,192	3,227	-	-	2,192	3,227	(1,035)	(32.07%)
Unrestricted	(3,366)	(3,110)	48	69	(3,318)	(3,041)	(277)	9.11%
Total net position	\$ 8,700	\$ 8,600	\$ 132	\$ 155	\$ 8,832	\$ 8,755	77	0.88%

The District's total net position increased 0.88%, or approximately \$77,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, building and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$1,035,000 or 32.07% over the prior year. The decrease was primarily due to the completion of the construction of an addition to the school building and pension liabilities.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – the deficit increased approximately \$277,000 or 9.11%. This deficit increase in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenue							
Program revenue:							
Charges for service	\$ 1,080	\$ 924	\$ 287	\$ 272	\$ 1,367	\$ 1,196	14.298%
Operating grants, contributions and restricted interest	1,649	1,407	165	158	1,814	1,565	15.911%
General revenues:							
Property tax	3,687	3,648	-	-	3,687	3,648	1.069%
Statewide sales and service tax	638	735	-	-	638	735	(13.197%)
Unrestricted state grants	3,094	2,818	3	3	3,097	2,821	9.784%
Other	86	16	-	-	86	16	437.500%
Total revenues	10,234	9,548	455	433	10,689	9,981	7.093%
Program expenses:							
Governmental activities:							
Instruction	7,367	6,578	-	-	7,367	6,578	11.995%
Support service	2,409	2,189	-	-	2,409	2,189	10.050%
Non-instructional programs	-	-	478	393	478	393	21.628%
Other expenses	358	354	-	-	358	354	1.130%
Total expenses	10,134	9,121	478	393	10,612	9,514	11.541%
Increase (decrease) in net position	100	427	(23)	40	77	467	(83.512%)
Net position beginning of year, as restated	8,600	8,173	155	115	8,755	8,288	5.635%
Net position end of year	\$ 8,700	\$ 8,600	\$ 132	\$ 155	\$ 8,832	\$ 8,755	0.879%

In fiscal 2016, property tax, statewide sales, service and use tax, and unrestricted state grants account for 72.49% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$10.689 million of which \$10.234 million was for governmental activities and .455 million was for business type activities.

As shown in Figure A-2, the District's as a whole experienced a 7.093% increase in revenues and an 11.541% increase in expenses. Unrestricted state grants increased approximately \$276,000 and the operating and capital grants, contributions and restricted interest increased approximately \$249,000. There was an increase in property taxes of \$39,000 and a decrease in the statewide sales, service and use tax of \$97,000. The increases in expenses related to increases in the negotiated salaries, benefits for the District.

Governmental Activities

Revenues for governmental activities were \$10,234,769 and expenses were \$10,134,595. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-3 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-2016	2016	2015	Change 2015-2016
Instruction	\$ 7,368	\$ 6,578	12.01%	\$ 5,266	\$ 4,867	8.20%
Support services	2,409	2,188	10.10%	2,096	1,867	12.27%
Other expenses	358	354	1.13%	43	55	(21.82%)
Totals	<u>\$ 10,135</u>	<u>\$ 9,120</u>	11.13%	<u>\$ 7,405</u>	<u>\$ 6,789</u>	9.07%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,080,426.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,648,729.
- The net cost of governmental activities was financed with \$3,687,039 in property, \$638,341 in statewide sales, service and use tax and \$3,094,021 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$454,683 representing a 5.25% increase over the prior year while expenses totaled \$477,426, a 0.32% decrease over the prior year. The District's business type activities include the School Nutrition Fund and FFA Property. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2016, the District had an increase in the number of students receiving free or reduced price lunches. This resulted in an increase in federal reimbursements for the student meal program.

INDIVIDUAL FUND ANALYSIS

As previously noted, Central Lyon Community School District uses the fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,458,034, compared to last year's ending fund balances of \$3,448,017. However, the primary reason for the decrease in combined fund balances in fiscal 2016 is due to the completion of the construction project in fiscal year 2016.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. There was growth during the year in State and Federal sources but decreases in property taxes. However, the increase in expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance increased from \$425,718 to \$513,812 due to the increases in property tax and state source revenues.

- The Debt Service Fund balance decreased from \$8,081 in fiscal 2015 to \$0 in fiscal 2016. The general obligation bonds were paid off in the prior year and the new debt is paid by the statewide sales, services and use taxes which will be transferred into the Fund to make the annual payments.
- The Capital Projects Fund balance decreased from \$2,517,647 in 2015 to \$1,491,718 in 2016. This was mainly due to the completion of the construction project in current fiscal year.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$96,874 at June 30, 2015 to \$124,271 at June 30, 2016, representing an increase of approximately 28.28%. For fiscal 2016, the District increased meal prices, resulting in an increase in revenues. Revenues also increased due to the federal reimbursement for the student meal program.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year, so the original and final budget amounts remain the same.

The District's receipts were \$72,589 more than budgeted receipts, with a variance of 0.684%. The actual local tax revenues increased in fiscal year 2016 to offset the reduction in state and federal sources allowing the District to still be greater than the budgeted amount.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should exceed actual expenditures for the year. The District did not exceed the certified budget for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$12.958 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 12.01% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$664,760.

The original cost of the District's capital assets was \$21.815 million. Governmental funds account for \$21.639 million, with the remainder of \$.175 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings, construction in progress, and furniture and equipment categories. The District purchased weight room equipment, computers and completed the additions to the school buildings.

Figure A-4								
Capital Assets, net of Depreciation								
(expressed in thousands)								
	Governmental		Business type		Total		Total	
	Activities		Activities		School District		Change	
	June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2015-2016	
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51		0.00%
Construction in progress	-	2,310			-	2,310		(100.00%)
Buildings	10,263	6,731	-	-	10,263	6,731		52.47%
Improvements other than buildings	733	794	-	-	733	794		(7.68%)
Furniture and Equipment	1,827	1,597	84	86	1,911	1,683		13.55%
Totals	<u>\$ 12,874</u>	<u>\$ 11,483</u>	<u>\$ 84</u>	<u>\$ 86</u>	<u>\$ 12,958</u>	<u>\$ 11,569</u>		12.01%

Long-Term Debt

At June 30, 2016, the District had \$3,228,000 in revenue and other long-term debt outstanding. This represents a decrease of approximately 1.22% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$24.38 million.

The District had total outstanding bonded indebtedness of \$3,000,000 and early retirement of \$228,000 at June 30, 2016.

Figure A-5				
Outstanding Long-Term Obligations				
(Expressed in Thousands)				
	Total		Total	
	School District		Change	
	June 30,		June 30,	
	2016	2015	2015-2016	
Revenue Notes	\$ 3,000	\$ 3,000	0.00%	
Early Retirement	228	268	(14.93%)	
	<u>\$ 3,228</u>	<u>\$ 3,268</u>	(1.22%)	

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Lyon County has advised the District it total taxable valuation will increase 6.65% for property tax collected in fiscal year 2017 due to the property valuation assessments.
- District budgeted enrollment for fiscal year 2015-2016 was 743 students. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2015-2016 school year, Central Lyon students who open enroll out to other districts decreased from 55 to 51 students. Because Central Lyon is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.

- The District entered into a new two-year bargaining agreement with the Central Lyon Education Teacher Association (CLTA) in May 2014 with an increase for 2015-16 school-year. Settlements in excess of “new money” or allowable growth in state funding will have a continuing adverse effect of the District’s General Fund budget and related fund balance.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jackie Wells, Board Secretary/Business Manager at the Central Lyon Community School District, 1105 S. Story St., Rock Rapids, IA 51246 or 712-472-2664.

BASIC FINANCIAL STATEMENTS
Central Lyon Community School District

Central Lyon Community School District
Statement of Net Position
Year Ended June 30, 2016

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash, cash equivalents and pooled investments	\$ 3,094,290	\$ 153,125	\$ 3,247,415
Receivables:			
Property tax:			
Delinquent	42,469	-	42,469
Succeeding year	3,560,372	-	3,560,372
Local option sales taxes	113,388	-	113,388
Accounts Receivable	184,765	-	184,765
Accrued interest:			
Other	83	1,410	1,493
Due from other governments	299,584	-	299,584
Inventories	-	5,733	5,733
Capital assets, net of accumulated depreciation	12,874,462	83,680	12,958,142
Total assets	20,169,413	243,948	20,413,361
Deferred Outflows of Resources			
Pension related deferred outflows	688,288	29,991	718,279
Liabilities			
Accounts payable	213,859	340	214,199
Salaries and benefits payable	708,456	17,650	726,106
Accrued interest payable	7,241	-	7,241
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	180,000	-	180,000
Compensated absences	54,646	-	54,646
Portion due after one year:			
Revenue bonds payable	2,820,000	-	2,820,000
Early retirement	228,000	-	228,000
Net pension liability	3,313,640	94,880	3,408,520
Total liabilities	7,525,842	112,870	7,638,712
Deferred Inflows of Resources			
Unavailable property tax revenue	3,560,372	-	3,560,372
Pension related deferred inflows	771,568	22,092	793,660
Other	299,584	6,914	306,498
	4,631,524	29,006	4,660,530
Net Position			
Net investment in capital assets	9,874,462	83,680	9,958,142
Restricted for:			
Categorical funding	273,841	-	273,841
Public education & recreation levy	196,139	-	196,139
Physical plant and equipment levy	275,597	-	275,597
Other special revenue purposes	230,128	-	230,128
Capital projects	1,216,121	-	1,216,121
Unrestricted	(3,365,953)	48,383	(3,317,570)
Total net position	\$ 8,700,335	\$ 132,063	\$ 8,832,398

See notes to financial statements.

Central Lyon Community School District
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,962,155	\$ 285,214	\$ 889,286	\$ -
Special instruction	1,195,385	42,979	126,480	-
Other instruction	1,209,707	738,742	17,758	-
	<u>7,367,247</u>	<u>1,066,935</u>	<u>1,033,524</u>	<u>-</u>
Support services:				
Student services	123,634	-	89,021	-
Instructional staff services	399,124	-	-	-
Administration services	840,855	-	2,748	-
Operation and maintenance of plant	738,220	13,491	171,518	-
Transportation services	307,397	-	36,330	-
	<u>2,409,230</u>	<u>13,491</u>	<u>299,617</u>	<u>-</u>
Non-instructional programs	-	-	-	-
Other expenses:				
Long-term debt interest	43,448	-	918	-
AEA flow through	314,670	-	314,670	-
	<u>358,118</u>	<u>-</u>	<u>315,588</u>	<u>-</u>
Total governmental activities	10,134,595	1,080,426	1,648,729	-
Business type activities:				
Non-instructional programs:				
Food service and FFA operations	477,426	286,518	168,035	-
Total	<u>\$ 10,612,021</u>	<u>\$ 1,366,944</u>	<u>\$ 1,816,764</u>	<u>\$ -</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (3,787,655)	\$ -	\$ (3,787,655)
(1,025,926)	-	(1,025,926)
(453,207)	-	(453,207)
(5,266,788)	-	(5,266,788)
(34,613)	-	(34,613)
(399,124)	-	(399,124)
(838,107)	-	(838,107)
(553,211)	-	(553,211)
(271,067)	-	(271,067)
(2,096,122)	-	(2,096,122)
-	-	-
(42,530)	-	(42,530)
-	-	-
(42,530)	-	(42,530)
(7,405,440)	-	(7,405,440)
-	(22,873)	(22,873)
(7,405,440)	(22,873)	(7,428,313)
3,394,159	-	3,394,159
292,880	-	292,880
638,341	-	638,341
3,094,021	-	3,094,021
8,434	130	8,564
77,779	-	77,779
7,505,614	130	7,505,744
100,174	(22,743)	77,431
8,600,161	154,806	8,754,967
\$ 8,700,335	\$ 132,063	\$ 8,832,398

Central Lyon Community School District
Balance Sheet – Governmental Funds
June 30, 2016

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
Other	\$ 1,261,268	\$ -	\$ 1,382,305	\$ 450,717	\$ 3,094,290
Receivables:					
Property tax:					
Delinquent	37,572	-	3,193	1,704	42,469
Succeeding year	2,990,220	-	274,112	296,040	3,560,372
Local option sales taxes	-	-	113,388	-	113,388
Accounts Receivable	184,765	-	-	-	184,765
Accrued interest:					
Other	-	-	-	83	83
Due from other governments	299,584	-	-	-	299,584
Total assets	<u>4,773,409</u>	<u>-</u>	<u>1,772,998</u>	<u>748,544</u>	<u>7,294,951</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	261,337	-	7,168	-	268,505
Salaries and benefits payable	708,456	-	-	-	708,456
Total liabilities	<u>969,793</u>	<u>-</u>	<u>7,168</u>	<u>-</u>	<u>976,961</u>
Deferred Inflows of Resources					
Unavailable revenue:					
Succeeding year property tax	2,990,220	-	274,112	296,040	3,560,372
Other	299,584	-	-	-	299,584
Total deferred Inflows of resource	<u>3,289,804</u>	<u>-</u>	<u>274,112</u>	<u>296,040</u>	<u>3,859,956</u>
Fund balances:					
Restricted for:					
Categorical funding	273,841	-	-	-	273,841
Management levy	-	-	-	26,237	26,237
Student activities	-	-	-	230,128	230,128
School infrastructure	-	-	1,216,121	-	1,216,121
Public education and recreation levy	-	-	-	196,139	196,139
Physical plant and equipment	-	-	275,597	-	275,597
Unassigned	239,971	-	-	-	239,971
Total fund balances	<u>513,812</u>	<u>-</u>	<u>1,491,718</u>	<u>452,504</u>	<u>2,458,034</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,773,409</u>	<u>\$ -</u>	<u>\$ 1,772,998</u>	<u>\$ 748,544</u>	<u>\$ 7,294,951</u>

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Balance Sheet – Governmental
Funds to the Statement of Net Position
June 30, 2016

Exhibit D

Total fund balances of governmental funds (page 20) \$ 2,458,034

Amounts reported for governmental activities in the Statements of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental 12,874,462

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (7,241)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 688,288	
Deferred inflows of resources	<u>(771,568)</u>	(83,280)

Long-term liabilities, including bonds and notes payable, compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds. (6,541,640)

Net position of governmental activities (page 17) \$ 8,700,335

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2016

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 3,293,136	\$ -	\$ 258,743	\$ 135,161	\$ 3,687,040
Tuition	201,068	-	-	-	201,068
Other	275,051	6	109,643	753,307	1,138,007
Intermediate sources	314,670	-	-	-	314,670
State sources	3,996,470	-	641,831	1,730	4,640,031
Federal sources	253,953	-	-	-	253,953
Total Revenues	8,334,348	6	1,010,217	890,198	10,234,769
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,340,134	-	23,908	51,081	4,415,123
Special instruction	1,146,193	-	-	-	1,146,193
Other instruction	446,823	-	-	735,579	1,182,402
	5,933,150	-	23,908	786,660	6,743,718
Support services:					
Student services	121,225	-	-	-	121,225
Instructional staff services	265,166	-	-	-	265,166
Administration services	740,037	-	-	71,286	811,323
Operation and maintenance of plant services	621,039	-	130,599	61,818	813,456
Transportation services	250,967	-	-	14,501	265,468
	1,998,434	-	130,599	147,605	2,276,638
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	1,846,278	-	1,846,278
Long-term debt interest	-	43,448	-	-	43,448
AEA flow through	314,670	-	-	-	314,670
	314,670	43,448	1,846,278	-	2,204,396
Total expenditures	8,246,254	43,448	2,000,785	934,265	11,224,752
Excess (deficiency) of revenues over (under) expenditures	88,094	(43,442)	(990,568)	(44,067)	(989,983)
Other financing sources (uses):					
Operating transfers in (out)	-	35,361	(35,361)	-	-
Total other financing sources (uses)	-	35,361	(35,361)	-	-
Net change in fund balances	88,094	(8,081)	(1,025,929)	(44,067)	(989,983)
Fund balances beginning of year	425,718	8,081	2,517,647	496,571	3,448,017
Fund balances end of year	\$ 513,812	\$ -	\$ 1,491,718	\$ 452,504	\$ 2,458,034

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Exhibit F

Net change in fund balance - total governmental funds (page 22) \$ (989,983)

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	2,056,578	
Depreciation expense	<u>(664,760)</u>	1,391,818

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

435,683

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	(707,344)	
Early retirement	<u>(30,000)</u>	<u>(737,344)</u>

Change in net position of governmental activities (page 19) \$ 100,174

See notes to financial statements.

Central Lyon Community School District
Statement of Net Position - Proprietary Funds
June 30, 2016

Exhibit G

	School Nutrition	FFA Property	Proprietary Totals
Assets			
Cash and cash equivalents	\$ 146,358	\$ 6,767	\$ 153,125
Accrued interest	1,410	-	1,410
Inventories	4,702	1,031	5,733
Capital assets, net of accumulated depreciation	83,680	-	83,680
Total assets	236,150	7,798	243,948
Deferred Outflows of Resources			
Pension related deferred outflows	29,991	-	29,991
Liabilities			
Accounts payable	334	6	340
Salaries and benefits payable	17,650	-	17,650
Net pension liability	94,880	-	94,880
Total Liabilities	112,864	6	112,870
Deferred Inflows of Resources			
Unavailable revenue:			
Pension related deferred inflows	22,092	-	22,092
Other	6,914	-	6,914
Total deferred inflows of resources	29,006	-	29,006
Net Position			
Net investment in capital assets	83,680	-	83,680
Unrestricted	40,591	7,792	48,383
Total Net Position	\$ 124,271	\$ 7,792	\$ 132,063

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2016

Exhibit H

	School Nutrition	FFA Property	Proprietary Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 249,158	\$ 37,360	\$ 286,518
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	133,428	-	133,428
Benefits	41,095	-	41,095
Purchased services	4,887	-	4,887
Supplies	207,935	87,500	295,435
Depreciation	2,581	-	2,581
Total operating expenses	389,926	87,500	477,426
Operating (loss) Income	(140,768)	(50,140)	(190,908)
Non-operating revenues:			
State sources	3,188	-	3,188
Federal sources	164,847	-	164,847
Interest income	130	-	130
Total non-operating revenues	168,165	-	168,165
Change in net position	27,397	(50,140)	(22,743)
Net position beginning of year	96,874	57,932	154,806
Net position end of year	\$ 124,271	\$ 7,792	\$ 132,063

See notes to financial statements.

Central Lyon Community School District
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2016

Exhibit I

	School Nutrition	FFA Property	Proprietary Totals
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 248,979	\$ -	\$ 248,979
Cash received from miscellaneous services	-	37,360	37,360
Cash paid to employees for services	(151,366)	-	(151,366)
Cash paid to suppliers for goods or services	(184,421)	(39,664)	(224,085)
Net cash used by operating activities	(86,808)	(2,304)	(89,112)
Cash flows from non-capital financing activities:			
State grants received	3,188	-	3,188
Federal grants received	136,454	-	136,454
Net cash provided by non-capital financing activities	139,642	-	139,642
Cash flows from investing activities:			
Interest on investments	(1,280)	-	(1,280)
Net increase (decrease) in cash and cash equivalents	51,554	(2,304)	49,250
Cash and cash equivalents beginning of year	94,804	9,071	103,875
Cash and cash equivalents end of year	\$ 146,358	\$ 6,767	\$ 153,125
Reconciliation of operating loss to net cash used by operating activities			
Operating (loss) income	\$ (140,768)	\$ (50,140)	\$ (190,908)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Commodities used	28,393	-	28,393
Depreciation	2,581	-	2,581
(Increase) decrease in inventories	(326)	47,844	47,518
Increase (decrease) in accounts payable	334	(8)	326
Increase (decrease) in deferred revenue	(179)	-	(179)
Increase (decrease) in net pension liability	25,322	-	25,322
Increase (decrease) in deferred outflows of resources	(12,271)		(12,271)
Increase (decrease) in deferred inflows of resources	(4,435)		(4,435)
Increase (decrease) in salaries and benefits payable	14,541	-	14,541
Net cash used in operating activities	\$ (86,808)	\$ (2,304)	\$ (89,112)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2016, the District received \$28,393 of federal commodities.

See notes to financial statements.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

(1) Summary of Significant Accounting Policies

The Central Lyon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Rock Rapids and Doon, Iowa, and the predominant agricultural territory in Central Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Lyon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District. The other proprietary fund is the FFA Property Fund which is used to account for the FFA cattle raising operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2014 assessed property valuations, is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital Assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50
Improvements other than buildings	20 - 50
Furniture and equipment:	5 - 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the District’s reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to / deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflow of Resources – Deferred inflow of resources represent an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

(revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflow of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, the expenditures did not exceed the amounts budgeted or the General Fund unspent authorized budget.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$134,745.00 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to:	Transfer from Account:	Amount
Debt Service	Local Option Sales	\$ 43,448
Physical Plant and Equipment Levy	Debt Service	(8,087)
		<u>\$ 35,361</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

(4) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Statewide Voluntary Four-Year-Old Preschool Program	\$ 177,577
Teacher Salary Improvement	4,346
Early Literacy	9,502
Professional Development for ICC	42,187
TLC Planning Grant	24,769
Educator Quality, Professional Development	15,460
	<u>\$ 273,841</u>

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Construction in progress	2,310,337	-	2,310,337	-
Total capital assets not being depreciated	2,361,337	-	2,310,337	51,000
Capital assets being depreciated:				
Buildings	12,725,562	3,938,598	-	16,664,160
Improvements other than buildings	1,364,376	-	-	1,364,376
Furniture and equipment	3,131,227	428,317	-	3,559,544
Total capital assets being depreciated	17,221,165	4,366,915	-	21,588,080
Less accumulated depreciation for:				
Buildings	5,995,034	406,166	-	6,401,200
Improvements other than buildings	570,735	60,335	-	631,070
Furniture and equipment	1,534,089	198,259	-	1,732,348
Total accumulated depreciation	8,099,858	664,760	-	8,764,618
Total capital assets being depreciated, net	9,121,307	3,702,155	-	12,823,462
Governmental activities capital assets, net	\$ 11,482,644	\$ 3,702,155	\$ 2,310,337	\$ 12,874,462
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 175,485	\$ -	\$ -	\$ 175,485
less accumulated depreciation	89,223	2,581	-	91,804
Business type activities capital assets, net	\$ 86,262	\$ (2,581)	\$ -	\$ 83,681

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 494,285

Support services:

Instructional staff 125,720

Operation and maintenance of plant 10,697

Transportation 34,058

664,760

Unallocated -

Total depreciation expense - governmental activities \$ 664,760

Business type activities:

Food service operations \$ 2,581

(6) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2016, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 180,000
Net pension liability	2,823,745	489,895	-	3,313,640	-
Early retirement	268,000	30,000	70,000	228,000	-
Compensated absences	48,169	54,646	48,169	54,646	54,646
Total	<u>\$ 6,139,914</u>	<u>\$ 574,541</u>	<u>\$ 118,169</u>	<u>\$ 6,596,286</u>	<u>\$ 234,646</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 69,558	\$ 25,322	\$ -	\$ 94,880	\$ -

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

Revenue Bonds

Details of the District's June 30, 2016, statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year	School Infrastructure Sales, Services & Use Tax Revenue Bonds, Series 2014			
Ending June 30,	Interest Rate	Principal	Interest	Total
2017	1.000%	\$ 180,000	\$ 86,895	\$ 266,895
2018	1.350%	185,000	85,095	270,095
2019	1.700%	190,000	82,598	272,598
2020	2.050%	195,000	79,368	274,368
2021	2.400%	200,000	75,370	275,370
2022	2.750%	205,000	70,570	275,570
2023	3.000%	210,000	64,933	274,933
2024	3.150%	215,000	58,633	273,633
2025	3.300%	220,000	51,860	271,860
2026	3.450%	225,000	44,600	269,600
2027	3.600%	235,000	36,838	271,838
2028	3.750%	240,000	28,378	268,378
2029	3.850%	245,000	19,378	264,378
2030	3.900%	255,000	9,945	264,945
Total		<u>\$ 3,000,000</u>	<u>\$ 794,458</u>	<u>\$ 3,794,458</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,000,000 of bonds issued in December 2014. The bonds were issued for the purpose of financing a portion of the costs of a new addition to the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,794,458. For the current year, no principal was paid but \$43,447.50 of interest was paid on the bonds. The total statewide sales, services and use tax revenues were \$638,340.69.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b. The School Infrastructure Sales, Services and Use Tax Revenue Bond Interest Sinking Fund is to be established and required deposits equal to the monthly amount necessary to pay in full the installment of interest and principal coming due on such Bonds until the full amount of such installment is on hand.
- c. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2016. The required sinking fund was not established by the District and no transfers were made.

(7) **Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, IA, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefits or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2016 were \$447,203.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions – At June 30, 2016, the District reported a liability of \$3,408,520 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.068562 percent, which was a decrease of 0.001210 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$211,350. At June 30, 2016, the District Reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,809	\$ -
Changes of assumptions	(30,773)	-
Net difference between projected and actual earnings on pension plan investments	509,982	793,660
Changes in proportion and differences between District contributions and proportionate share of contributions	(228,942)	-
District contributions subsequent to the measurement date	447,203	-
Total	<u>\$ 718,279</u>	<u>\$ 793,660</u>

The District reported \$447,203 as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (87,166)
2018	(87,166)
2019	(87,166)
2020	137,523
2021	(1,422)
Total	<u>\$ (125,397)</u>

There were no non-employer contributing entities to IPERS.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rate of salary increases (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29%
International Equity	16%	6.75%
Private Equity	11%	11.32%
Real Estate	8%	3.48%
Credit Opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other Real Assets	2%	6.24%
Cash	1%	(0.71%)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's Proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

et pension liability would be if it were calculated using a discount rate that is 1% lower (6.50 %) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	5,967,705	3,408,520	1,248,384

Pension Plan Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the IPERS – At June 30, 2016, the District reported payables to IPERS of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District offers a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 80 active and 5 retired members in the plan. Retired participants must be 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Sanford Health Plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the postretirement benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 81,815
Interest on Net OPEB Obligation	4,691
Adjustment to annual required contribution	(4,160)
Annual OPEB Cost	82,346
Contributions made	-
Increase in Net OPEB Obligation	82,346
Net OPEB obligation-beginning of year	104,246
Net OPEB obligation-end of year	<u>\$ 186,592</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0 or 0.0% of the premium costs.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 33,326	0%	\$ 70,920
2015	33,326	0%	104,246
2016	82,346	0%	186,592

Funding Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$684,970, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$684,970. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,007,876 and the ratio of the UAAL to covered payroll was 13.68%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the multiyear trend information whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2015 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.00%. The ultimate medical trend rate is 6.00%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$790 per month for retirees less than age 65 and not available for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 60 years on an open basis.

(9) Termination Benefits

The District has offered a voluntary early retirement plans to its employees.

During the 2013-2014 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2013. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$6,000 increments paid by

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

June 30 for five consecutive years. There were seven participants who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2016 totaled \$42,000. The remaining installments will be paid July 1, 2016, July 1, 2017, and July 1, 2018 of \$6,000 each year for each retiree totaling \$126,000.

During the 2014-2015 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2014. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$6,000 increments paid by June 30 for five consecutive years. There were three participants who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2016 totaled \$18,000. The policy requires benefits be paid in five equal installments beginning July 1, 2015. The remaining installments will be paid July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019 of \$6,000 each year for each retiree totaling \$72,000.

During the 2015-2016 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2015. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$6,000 increments paid by June 30 for five consecutive years. There was one participant who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2016 totaled \$0. The policy requires benefits be paid in five equal installments beginning July 1, 2016. The remaining installments will be paid July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019 of \$6,000 each year for each retiree totaling \$30,000.

At June 30, 2016, the District has obligations to eleven participants with a total liability of \$228,000. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$70,000.

Year Ending June 30,	Amount
2017	\$ 66,000
2018	66,000
2019	66,000
2020	24,000
2021	6,000
	\$ 228,000

(10) Risk Management

Central Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$314,670 for the year ended June 30, 2016, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Operating Lease Agreement

The District entered into a 12 month operating lease agreement for three copiers on August 17, 2015. Payments are made quarterly of \$1,860 and will end August 2016 with total payments in the current year of \$7,440.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2016

(13) Subsequent Events

The District has evaluated for subsequent events through January 17, 2017, the date which the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Central Lyon Community School District

Required Supplementary Information

Central Lyon Community School District
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 5,026,115	\$ 286,648	\$ 5,312,763
Intermediate sources	-	-	-
State sources	4,954,701	3,188	4,957,889
Federal sources	253,953	164,847	418,800
Total revenues	<u>10,234,769</u>	<u>454,683</u>	<u>10,689,452</u>
Expenditures:			
Instruction	6,743,718	-	6,743,718
Support services	2,276,638	9,439	2,286,077
Non-instructional programs	-	467,987	467,987
Other expenditures	2,204,396	-	2,204,396
Total expenditures	<u>11,224,752</u>	<u>477,426</u>	<u>11,702,178</u>
Excess of revenues under expenditures	<u>(989,983)</u>	<u>(22,743)</u>	<u>(1,012,726)</u>
Other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(989,983)	(22,743)	(1,012,726)
Balances beginning of year	<u>3,448,017</u>	<u>154,806</u>	<u>3,602,823</u>
Balances end of year	<u>\$ 2,458,034</u>	<u>\$ 132,063</u>	<u>\$ 2,590,097</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 5,156,948	\$ 5,156,948	\$	155,815
-	-		-
5,024,915	5,024,915		(67,026)
435,000	435,000		(16,200)
10,616,863	10,616,863		72,589
6,816,976	6,816,976		73,258
3,228,813	3,228,813		942,736
596,893	596,893		128,906
3,134,547	3,134,547		930,151
13,777,229	13,777,229		2,075,051
(3,160,366)	(3,160,366)		(2,002,462)
(5,750)	(5,750)		5,750
(3,166,116)	(3,166,116)		(1,996,712)
3,512,563	3,512,563		90,260
\$ 346,447	\$ 346,447	\$	(1,906,452)

Central Lyon Community School District
Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Central Lyon Community School District
Schedule of the District's Proportionate Share of the Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Required Supplementary Information

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.068562%	0.069772%
District's proportion share of the net pension liability	\$ 3,408,520	\$ 2,823,745
District's covered-employee payroll	\$ 5,007,876	\$ 4,653,363
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.06%	60.68%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

Note: In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Year
(In Thousands)
Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 447	\$ 422	\$ 416	\$ 379
Contribution in relation to the statutorily required contribution	<u>(447)</u>	<u>(422)</u>	<u>(416)</u>	<u>(379)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,008	\$ 4,727	\$ 4,653	\$ 4,366
Contributions as percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 334	\$ 288	\$ 263	\$ 242	\$ 222	\$ 186
<u>(334)</u>	<u>(288)</u>	<u>(263)</u>	<u>(242)</u>	<u>(222)</u>	<u>(186)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,113	\$ 4,142	\$ 3,955	\$ 3,812	\$ 3,661	\$ 3,429
8.06%	6.95%	6.65%	6.35%	6.05%	5.75%

Central Lyon Community School District
Notes to Required Supplementary Information – Pension Liability
Year Ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
 - Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
 - Adjusted male mortality rates for retirees in the Regular membership group.
 - Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.
- The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:
- Adjusted retiree mortality assumptions.
 - Modified retirement rates to reflect fewer retirements.
 - Lowered disability rates at most ages.
 - Lowered employment termination rates.
 - Generally increased the probability of terminating members receiving a deferred retirement benefit.
 - Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

Central Lyon Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2016

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 470,000	\$ 470,000	0%	\$ 3,954,642	11.88%
2011	July 1, 2009	-	470,000	470,000	0%	4,142,332	11.35%
2012	July 1, 2009	-	470,000	470,000	0%	4,112,567	11.43%
2013	July 1, 2012	-	291,820	291,820	0%	4,365,987	6.68%
2014	July 1, 2012	-	291,820	291,820	0%	4,653,363	6.27%
2015	July 1, 2012	-	291,820	291,820	0%	4,726,552	6.17%
2016	July 1, 2015	-	684,970	684,970	0%	5,007,876	13.68%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report

Central Lyon Community School District

Supplementary Information

Central Lyon Community School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

Schedule 1

	Special Revenue Funds			
	Management Levy	Student Activity	Public Education & Recreation Levy	Total
Assets				
Cash and cash equivalents:	\$ 24,963	\$ 230,045	\$ 195,709	\$ 450,717
Receivables:				
Property tax:				
Delinquent	1,274	-	430	1,704
Succeeding year	260,001	-	36,039	296,040
Accrued interest	-	83	-	83
Total assets	286,238	230,128	232,178	748,544
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources				
Unavailable revenue:				
Succeeding year property tax	260,001	-	36,039	296,040
Total deferred Inflows of resources	260,001	-	36,039	296,040
Fund equity:				
Restricted for:				
Management Levy	26,237	-	-	26,237
Student activities	-	230,128	-	230,128
Public education and recreation levy	-	-	196,139	196,139
Total fund balances	26,237	230,128	196,139	452,504
Total liabilities, deferred inflows of resources and fund balances	\$ 286,238	\$ 230,128	\$ 232,178	\$ 748,544

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor governmental Funds
Year Ended June 30, 2016

Schedule 2

	Special Revenue Funds			
	Management Levy	Student Activity	Public Education & Recreation Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 101,024	\$ -	\$ 34,137	\$ 135,161
Other	14,056	739,251	-	753,307
State sources	1,293	-	437	1,730
Total revenues	116,373	739,251	34,574	890,198
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	51,081	51,081
Other instruction	-	735,579	-	735,579
Support services:				
Administration Services	71,286	-	-	71,286
Operation and maintenance of plant services	61,818	-	-	61,818
Transportation services	14,501	-	-	14,501
Total expenditures	147,605	735,579	51,081	934,265
Excess (deficiency) of revenues over (under) expenditures	(31,232)	3,672	(16,507)	(44,067)
Fund balances beginning of year	57,469	226,456	212,646	496,571
Fund balances end of year	\$ 26,237	\$ 230,128	\$ 196,139	\$ 452,504

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund - Student Activity Accounts
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Interest Income	\$ 5,224	\$ 512	\$ 887	\$ 4,849
All School Play	3,716	1,899	3,004	2,611
Speech	-	1,095	743	352
Vocal	80	2,928	2,969	39
Band	-	2,766	2,712	54
Historical Plaza	1,538	-	-	1,538
Spanish Mexico Trip	974	3,467	800	3,641
Co-Ed Track	1,477	10,221	9,342	2,356
Co-Ed Golf	261	2,499	2,250	510
Art - Hoppe	690	-	-	690
Boys' Basketball - Summer	14,009	9,006	12,373	10,642
Football	4,178	23,255	24,530	2,903
Baseball	243	26,644	25,639	1,248
Baseball Trip	5,988	-	1,296	4,692
Wrestling	2,032	4,951	5,148	1,835
Wrestling Projects Camp	15,597	11,922	22,005	5,514
Girls' Basketball	4,557	11,175	14,459	1,273
Girls' Basketball - Summer	6,061	4,767	3,303	7,525
Volleyball	3,140	11,599	14,009	730
Softball	63	800	694	169
Field Trips	316	861	823	354
Pictures-Elementary & MS	493	2,229	1,722	1,000
Ticket/Cash Reserve	513	3,700	3,700	513
Book Orders	579	-	-	579
PCT Account	1,915	6,140	3,530	4,525
Dance Team	329	654	666	317
Donations	2,905	1,908	1,381	3,432
MS Cross Country	400	-	-	400
Adult Activity Tickets	-	4,415	4,415	-
Activity Tickets	-	19,875	19,875	-
Lion's Roar	1,231	2,344	3,048	527
Pictures-HS	2,143	595	222	2,516
National Honor Society	-	785	738	47
Middle School Cheerleaders	-	20	-	20
Vending Machine	2,002	2,913	2,046	2,869
Cheerleading	928	10,106	9,234	1,800
Summer Band Lessons	8,577	3,536	-	12,113
D.A.R.E. Program	242	56	-	298
Musical	669	9,871	10,124	416
Class of 2016	2,005	228	2,233	-
Class of 2017	3,159	3,089	4,204	2,044
Class of 2018	-	4,920	176	4,744
FFA	11,164	91,253	92,257	10,160
Scrip Program	700	7,280	6,795	1,185
Student Council	845	1,546	2,376	15

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Middle School Student Council	1,776	4,593	3,753	2,616
Scholarship	500	-	-	500
Concessions	11,557	4,413	2,505	13,465
International Club	302	122	143	281
Testing Services	437	84	90	431
Magazines	182	1,942	2,124	-
Band Trip	5,409	8,325	5,030	8,704
Middle School Band Fundraiser	28	631	336	323
Title I	690	-	128	562
After Prom	3,763	8,320	8,501	3,582
All Sport Supplies	12,219	20,942	24,154	9,007
Volleyball Project	10,411	7,852	10,107	8,156
After Graduation Party	1,306	3,884	3,566	1,624
Book Fair	8,091	8,896	7,511	9,476
Robotics Club	415	3,585	3,850	150
NASA Trip	20	2,340	2,200	160
Quiz Bowl	-	200	100	100
EL-MS Fundraiser	15,143	10,138	14,888	10,393
Mock Trial - TAGMS	-	1,700	1,676	24
Football Project	1,524	10,132	8,168	3,488
Athletic Union Clinic	895	3,010	3,394	511
Booster Concessions	2,500	49,169	49,093	2,576
Music Booster	8,069	13,259	12,485	8,843
Athletic Booster	13,556	47,082	45,421	15,217
Industrial Tech Projects	-	900	-	900
HS Pop Machine	2,013	902	925	1,990
Weight Room Fund	461	208,897	197,952	11,406
EL/MS Care Committee	1,151	470	241	1,380
HS Care Committee	190	320	404	106
Lion Grant - CL Foundation	12,905	9,313	11,106	11,112
Totals	\$ 226,456	\$ 739,251	\$ 735,579	\$ 230,128

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2016

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents:			
Other	\$ 1,102,733	\$ 279,572	\$ 1,382,305
Receivables:			
Property tax:			
Delinquent	-	3,193	3,193
Succeeding year	-	274,112	274,112
Local option sales taxes	113,388	-	113,388
Total assets	1,216,121	556,877	1,772,998
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	-	7,168	7,168
Total liabilities	-	7,168	7,168
Deferred Inflows of Resources			
Unavailable revenue:			
Succeeding year property tax	-	274,112	274,112
Total deferred Inflows of resources	-	274,112	274,112
Fund equity:			
Restricted for:			
Debt Service			-
School infrastructure	1,216,121	-	1,216,121
Physical plant and equipment	-	275,597	275,597
Total fund balances	1,216,121	275,597	1,491,718
Total liabilities, deferred inflows of resources and fund balances	\$ 1,216,121	\$ 556,877	\$ 1,772,998

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Capital Project Accounts
Year Ended June 30, 2016

Schedule 5

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 258,743	\$ 258,743
Other	78,691	30,952	109,643
State sources	638,341	3,490	641,831
Total revenues	717,032	293,185	1,010,217
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	23,908	23,908
Support services:			
Operation and maintenance of plant services	-	130,599	130,599
Other expenditures:			
Facilities acquisition	1,783,174	63,104	1,846,278
Total expenditures	1,783,174	217,611	2,000,785
Excess (deficiency) of revenues over (under) expenditures	(1,066,142)	75,574	(990,568)
Other financing sources (uses):			
Operating transfers in	-	8,087	8,087
Operating transfers out	(43,448)	-	(43,448)
Total other financing sources (uses)	(43,448)	8,087	(35,361)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,109,590)	83,661	(1,025,929)
Fund balances beginning of year	2,325,711	191,936	2,517,647
Fund balances end of year	\$ 1,216,121	\$ 275,597	\$ 1,491,718

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis			
	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 3,687,040	\$ 3,648,467	\$ 3,393,945	\$ 3,889,013
Tuition	201,068	140,783	114,019	94,157
Other	1,138,007	995,171	845,572	838,415
Intermediate sources	314,670	290,109	285,644	280,047
State sources	4,640,031	4,247,901	4,174,900	3,505,913
Federal sources	253,953	225,470	267,456	233,420
Total	<u>\$ 10,234,769</u>	<u>\$ 9,547,901</u>	<u>\$ 9,081,536</u>	<u>\$ 8,840,965</u>
Expenditures:				
Instruction:				
Regular instruction	4,415,123	4,238,661	3,833,491	3,747,957
Special instruction	1,146,193	1,075,442	1,058,822	1,131,993
Other instruction	1,182,402	1,111,836	1,078,904	959,881
Support services:				
Student services	121,225	105,883	68,930	58,028
Instructional staff services	265,166	253,026	234,805	236,768
Administration services	811,323	752,592	693,724	582,903
Operation and maintenance of plant services	813,456	752,999	678,000	682,316
Transportation services	265,468	320,471	382,960	380,358
Other expenditures:				
Facilities acquisition	1,846,278	2,237,216	254,040	275,356
Long-term debt interest	43,448	106,443	17,830	33,154
AEA flow through	314,670	290,109	285,644	280,047
Total	<u>\$ 11,224,752</u>	<u>\$ 11,244,678</u>	<u>\$ 8,587,150</u>	<u>\$ 8,368,761</u>

See accompanying independent auditor's report.

Schedule 6

2012	2011	2010	2009	2008	2007
\$ 3,646,812	\$ 3,509,119	\$ 3,044,831	\$ 3,007,229	\$ 3,044,518	\$ 3,172,532
73,976	63,638	135,603	66,362	67,869	75,068
720,609	835,323	754,445	764,725	865,101	871,648
279,254	298,195	283,786	255,284	251,512	239,138
3,605,959	3,215,266	2,663,954	3,091,758	3,144,637	2,963,719
410,164	351,946	622,796	257,675	167,745	175,968
<u>\$ 8,736,774</u>	<u>\$ 8,273,487</u>	<u>\$ 7,505,415</u>	<u>\$ 7,443,033</u>	<u>\$ 7,541,382</u>	<u>\$ 7,498,073</u>
3,646,126	3,426,096	3,279,173	2,904,125	2,781,160	2,449,678
1,091,570	1,091,919	944,806	997,406	835,361	749,445
894,804	872,839	956,756	910,692	986,904	985,118
45,963	46,995	47,107	59,196	116,078	112,575
185,187	245,900	239,413	240,331	216,151	181,289
537,197	601,139	649,455	654,000	633,045	641,516
610,509	667,598	562,459	548,928	533,322	514,587
276,341	260,489	225,469	192,200	285,118	242,262
184,177	633,795	168,723	202,433	216,280	37,062
47,635	61,258	74,220	87,295	99,028	106,853
279,254	298,195	283,786	255,284	251,512	239,138
<u>\$ 7,798,763</u>	<u>\$ 8,206,223</u>	<u>\$ 7,431,367</u>	<u>\$ 7,051,890</u>	<u>\$ 6,953,959</u>	<u>\$ 6,259,523</u>

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Central Lyon Community School District:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Central Lyon Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Lyon Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Lyon Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weaknesses is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Lyon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Lyon Community School District's Responses to Findings

Central Lyon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Central Lyon Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Lyon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Grant and Williams, Inc.
Certified Public Accountants
Sioux Falls, South Dakota
January 17, 2017

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

I-A-16 The School District's internal control structure should be designed to provide for the preparation of the financial statements being audited. The School District requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation – it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2016

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-16 Certified Budget – Expenditures for the year ended June 30, 2016, did not exceed the certified budgeted amounts. The District did not exceed its General Fund unspent authorized budget for the year ended June 30, 2016.
- II-B-16 Questionable Expenditures – No expenditures were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-16 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-16 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Amy Jans, Spouse of Board Member, Owner of Rock Paper Scissors	Purchased supplies	\$8,907.70
David Fields, Employee, Rapid Grow Lawn	Maintenance of Grounds	\$15,530.00
Mark McCarty, Employee McCarty Repair	Vehicle Repair Service	\$ 2,587.77
Terry VanBerkum, Employee Carpet Layer	Laid carpet in classrooms	\$6,108.55

In accordance with an Attorney General’s opinion dated November 9, 1996, the transactions with Amy Jans, Dave Fields, Mark McCarty, and Terry VanBerkum were subjected to competitive bidding processes.

Two of the local banks in Rock Rapids that the District has accounts with employ related parties of the District, all transactions with these bank are in the course of normal banking transactions.

- II-E-16 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-F-16 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-G-16 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-16 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-16 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2016

- II-L-16 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, service and use tax provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, service and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year audit:

Beginning balance		\$2,325,711
Revenues/transfers in:		
Sales Tax Revenues	\$	638,341
Other		78,691
		<u>717,032</u>
Expenditures/transfers out:		
School infrastructure construction	(1,783,174)	
Transfers to other funds		
Debt service fund	(43,448)	<u>(1,826,622)</u>
Ending balance		<u>\$1,216,121</u>

For the year ended June 30, 2016, the District reduce the following levies as a result of the monies received under Chapter 423F.5 of the Code of Iowa:

	Rate of Levy	
	Reduction Per	
	\$1,000 of	Property
	Taxable	Tax Dollars
	Valuation	Reduced
Debt service levy	0.90626	<u>\$ 98,179</u>

- II-M-16 Deficit Balances – There were no funds with a deficit balance at June 30, 2016.

- II-N-16 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue – Student Activity Fund appear to be extracurricular or co-curricular in nature.

- II-O-16 Revenue Bonds – The District has not made the required monthly transfers from the revenue account to the sinking account.

Recommendation – The District should make the monthly transfers to the sinking account as required by the bond resolution.

Response – We will begin making transfers to a sinking account.

Conclusion – Response accepted.